

## Written evidence submitted by Positive Money

Positive Money is a not-for-profit research and campaigning organisation, working to reform the money and banking system to support a fair, democratic and sustainable economy. We are funded by trusts, foundations and small donations.

More information about Positive Money is available on our website:

<https://positivemoney.org/>.

### Summary of key points:

- Gross Domestic Product (GDP) growth continues to be a top priority across government departments, as illustrated by the 'green growth' framing of the net zero strategy. However, research shows that GDP growth and environmental pressures are not being decoupled at anywhere near the rate necessary to meet environmental targets.
- GDP's primacy in policymaking should be replaced by a dashboard of social and environmental indicators, such as the Office for National Statistics (ONS) Dashboard of Wellbeing Indicators. A small number of countries, such as New Zealand, are already beginning to operationalise the use of such dashboards.
- The Dasgupta Review's approach, including the concept of 'inclusive wealth', should not be pursued in policymaking. Dasgupta's approach promotes 'weak sustainability' and problematic monetary valuation methods, and risks undermining public and political support for environmental conservation.
- Instead, the ONS and the Treasury should develop a wellbeing framework to serve as the basis for a review of the wellbeing dashboard, which should then be embedded in policymaking processes. In addition, the ONS natural capital accounts should not play a role in macroeconomic policymaking.
- Achieving environmental goals would likely involve policies that reduce GDP. To avoid the negative consequences of low, no, or negative growth, the government must simultaneously implement policies that lessen the economy's dependence on GDP growth.

**Question 1: How does the way the Government currently uses GDP in setting macro-economic policy affect the development of environmental policy and of cross-departmental action to achieve the UK's environmental goals?**

1.1. GDP growth continues to be a top priority in policymaking across government departments. The government's new net-zero strategy is an important illustration of this,<sup>1</sup> as

---

<sup>1</sup> <https://www.gov.uk/government/publications/net-zero-strategy>

it is entirely framed around ‘green growth’, premised on the idea that GDP growth and environmental harm can be ‘decoupled’. The strategy document published by BEIS in October claims that between 1990 and 2019, the UK cut its emissions by 44% while growing the economy by 78%. There are two key problems with this claim: (i) it uses a territorial rather than consumption-based measure of emissions, excluding the embodied emissions in the UK’s imported goods;<sup>2</sup> and (ii) it ignores a plethora of other environmental pressures (such as biodiversity loss, deforestation, and soil depletion) driven by material extraction, which remains very closely coupled with GDP growth.<sup>3</sup>

1.2. There is a large and growing body of evidence that disproves claims of growth decoupling from carbon emissions and resource use’; in 2019, a comprehensive literature review by the European Environmental Bureau concluded that there is “no empirical evidence supporting the existence of a decoupling of economic growth from environmental pressures on anywhere near the scale needed to deal with environmental breakdown.”<sup>4</sup> Similarly, drawing on historical trends and model-based projections, a detailed academic study concluded that “green growth is likely to be a misguided objective, and that policymakers need to look toward alternative strategies.”<sup>5</sup>

1.3. Many of the policies necessary to reach the government’s environmental goals – such as banning planned obsolescence, or scaling back fossil fuels, aviation, automotives and other environmentally harmful sectors of the economy – would likely reduce GDP. However, these policies are necessary to maintain a liveable environment that can support life and a sustainable economy, and they can be implemented in ways that protect workers and the most vulnerable. The COVID-19 crisis, itself a symptom of our unequal economy’s growth-driven destruction of nature,<sup>6</sup> has brought to the fore the tensions between GDP targeting and other policy goals such as human health and environmental protection. It is therefore urgent to question the primacy of GDP in UK policymaking, which is an obstacle to the government’s own stated goals of building back better, levelling up, protecting the environment, and reaching net zero emissions by 2050.

**Question 2: How could GDP, or other current measures of macro-economic activity, more fully account for human and natural capital assets? What are the challenges and/or opportunities in moving to a way of measuring economic progress which takes greater account of such assets?**

---

<sup>2</sup> As a 2019 ONS study shows, much of the UK’s decrease in territorial emissions has resulted from the outsourcing of manufacturing to countries with lower labour costs: <https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/october2019/thedecouplingofeconomicgrowthfromcarbonemissionsukevidence>

<sup>3</sup> <https://www.pnas.org/content/112/20/6271>

<sup>4</sup> <https://eeb.org/library/decoupling-debunked/>

<sup>5</sup> <https://www.tandfonline.com/doi/full/10.1080/13563467.2019.1598964>

<sup>6</sup> Scientists have long warned that environmental degradation and climate change increase the probability of pandemics like COVID-19, mainly as deforestation and climate change bring pathogen-carrying animals into closer contact with humans. See, for example: <https://www.theguardian.com/environment/2020/may/07/promiscuous-treatment-of-nature-will-lead-to-more-pandemics-scientists>

2.1. There are multiple measures – not of economic activity but rather of human and environmental outcomes – that illustrate the extent to which economies are meeting human needs within planetary boundaries. For example, the ‘Sustainable Development Index’ developed by economic anthropologist Jason Hickel measures “the ecological efficiency of human development” by combining the Human Development Index (which includes quality of life, education, and income) with measures of emissions and material footprint.<sup>7</sup> The Carnegie Trust’s Gross Domestic Wellbeing is another useful alternative, which aggregates information from the ONS’ dashboard of wellbeing indicators.<sup>8</sup>

2.2. The only limitation of these kinds of indexes is that, as with GDP and any measure that accounts for multiple different factors, the aggregation process requires subjective value judgments and conceals potentially useful information about specific aspects of the economy.<sup>9</sup> Other measures, such as the Genuine Progress Indicator, use GDP as a starting point and attempt to correct for its blindspots by calculating monetary ‘costs’ of human and ecological harms.<sup>10</sup> But these approaches suffer from the same limitation related to aggregation, as well as major issues related to the monetary valuation of all aspects of the economy, society, and nature, detailed below in paragraphs 3.1 to 3.5.

2.3. Policymaking must measure and target ends (positive human and social outcomes), and then assess which means, including various economic activities, can achieve those ends. Therefore, rather than one single ‘economic’ indicator, a dashboard of social and environmental indicators, such as the ONS dashboard of wellbeing indicators, should serve as the north star and measure of success for policymakers.<sup>11</sup> Focusing on a dashboard of indicators rather than a single figure would make policymaking far more transparent: rather than targeting GDP growth and falsely claiming it will improve all outcomes, policymakers would have to make their political priorities explicit, and decide on which particular indicators – such as poverty, emissions, or access to key services – they will focus on at any given point, and develop and justify policies that achieve improvements according to those indicators.

2.4. A small number of countries are already moving in this direction. In New Zealand, for example, while GDP is not entirely ignored, the Living Standards Framework – a wide-ranging dashboard of indicators – is being embedded in policymaking.<sup>12</sup> The government’s first ever Wellbeing Budget in 2019, which highlighted specific policy priorities, began operationalising this framework in the budget process.<sup>13</sup>

---

<sup>7</sup> <https://www.sciencedirect.com/science/article/abs/pii/S0921800919303386>

<sup>8</sup> <https://www.carnegieuktrust.org.uk/publications/gross-domestic-wellbeing-gdwe-an-alternative-measure-of-social-progress/>

<sup>9</sup> <https://cusp.ac.uk/themes/aetw/measuring-prosperity/>

<sup>10</sup> [http://www.idakub.com/academics/wp-content/uploads/2020/04/2019\\_C\\_Kubiszewski\\_GPI.pdf](http://www.idakub.com/academics/wp-content/uploads/2020/04/2019_C_Kubiszewski_GPI.pdf)

<sup>11</sup> <https://positivemoney.org/publications/tragedy-of-growth/>

<sup>12</sup> <https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework>

<sup>13</sup> <https://www.theguardian.com/world/2019/may/14/new-zealands-world-first-wellbeing-budget-to-focus-on-poverty-and-mental-health>

#### Question 4: How could Professor Dasgupta's conception of 'inclusive wealth' be made operational as an economic measure?

3.1. The concept of 'inclusive wealth' – aggregating so-called 'produced capital', 'human capital', and 'natural capital' – was first outlined and turned into an index in a 2012 UN report.<sup>14</sup> The Dasgupta Review's application of the concept remains largely unchanged, and argues that "inclusive wealth is the coin with which economic progress or its absence should be measured."<sup>15</sup> We submit that this approach would be counterproductive, as treating all aspects of nature and society as forms of 'capital' to be valued in monetary terms and aggregated into a single index is fraught with a wide range of problems.

3.2. First, Dasgupta's proposal implicitly promotes 'weak sustainability' – the concept that 'natural capital' is substitutable with 'human capital' and 'produced capital' (e.g. the destruction of mangroves can be compensated by the construction of man-made flood defenses), and substitutable with different types of 'natural capital' (e.g. the destruction of rainforests can be compensated by the planting of trees elsewhere). This approach fails to grasp the complexity of natural ecosystems and the magnitude and severity of the irreversible damage caused by their destruction.<sup>16</sup> Put simply, natural ecosystems cannot be endlessly replaced by man-made projects, as the collapse of existing ecosystems would entail global economic and societal collapse.

3.3. Second, given that natural ecosystems underpin all life on earth, the valuation methods used to price the value of natural resources are deeply problematic. Well-documented issues include the manipulation of survey design and data collection to eliminate and prevent responses that fail to conform to economists' expectations,<sup>17</sup> and the unrealistic assumption that survey respondents hold technical knowledge of complex environmental and social phenomena and associated terminology.<sup>18</sup> The monetary valuation of 'human capital' and 'produced capital' is also highly controversial.<sup>19</sup>

3.4. Third, research shows that putting a price on nature undermines, rather than enhances, public support for environmental protection. A 2014 report by a group of psychologists and social scientists found that appeal to intrinsic values "perform better in strengthening support for both environmental and disability causes than messages framed to appeal to extrinsic and self-enhancing values – such as wealth or success." The study explicitly highlights its

---

<sup>14</sup> <https://www.cambridge.org/us/academic/subjects/economics/natural-resource-and-environmental-economics/inclusive-wealth-report-2012-measuring-progress-toward-sustainability?format=PB&isbn=9781107683396>

<sup>15</sup> Page 323:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/962785/The\\_Economics\\_of\\_Biodiversity\\_The\\_Dasgupta\\_Review\\_Full\\_Report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/962785/The_Economics_of_Biodiversity_The_Dasgupta_Review_Full_Report.pdf)

<sup>16</sup> For a critique of natural capital substitutability by economists, see:

[https://www.inet.ox.ac.uk/files/Substitution\\_paper\\_Final.pdf](https://www.inet.ox.ac.uk/files/Substitution_paper_Final.pdf); and for a critique by a physicist, see: <https://www.sciencedirect.com/science/article/abs/pii/S0921800906000838>;

<sup>17</sup> See, for example: [https://www.clivespash.org/wp-content/uploads/2015/04/Spash\\_on\\_CVM\\_2008\\_EPC\\_Final.pdf](https://www.clivespash.org/wp-content/uploads/2015/04/Spash_on_CVM_2008_EPC_Final.pdf)

<sup>18</sup> The surveys can even shape respondents' understandings of the phenomena in question and thereby shape the very responses that the surveys seek to elicit: [https://www.clivespash.org/wp-content/uploads/2015/04/2002\\_Spash\\_JoEP\\_info\\_CVM.pdf](https://www.clivespash.org/wp-content/uploads/2015/04/2002_Spash_JoEP_info_CVM.pdf)

<sup>19</sup> See, for example: <https://www.tandfonline.com/doi/full/10.1080/14747731.2021.1929007>

findings' implications for appealing to "the financial value of nature", claiming that this approach "risks eroding public support for conservation issues."<sup>20</sup>

3.5. Fourth, Dasgupta's approach can easily result in environmental destruction being viewed as economically efficient. 'Capital' is intended to provide financial returns, and in practice exploiting nature is often far more profitable than preserving it, which is precisely why we find ourselves in a climate and ecological emergency. Neoclassical economists' interventions in climate policy (including justifying delayed action on climate change and characterising 4 degrees Celsius of global warming as 'optimal')<sup>21</sup> should provide a warning of the sort of perverse conclusions we may reach by applying the same theories to biodiversity loss.

3.6. Environmental and macroeconomic policy should instead be informed by natural scientists' assessments of climate and ecological systems. As argued above (in paragraph 2.3), a dashboard of social and environmental indicators should be our main tool for measuring success, or lack thereof. Any approach, like Dasgupta's, that relies on economists and statisticians using highly questionable methods to monetise and aggregate all aspects of the economy, society, and nature into a single index, should not be pursued any further.

3.7. Ecological economists Frederic Hache and Clive Spash argue that "the overarching goal of optimising inclusive wealth can be understood as maximising economic growth under a new set of natural capital constraints, thus sticking to the old economic growth paradigm." In other words, although Dasgupta acknowledges that infinite growth is impossible, his approach does not fundamentally challenge the growth-driven economic theories and structures that have resulted in the widespread destruction of natural ecosystems.

**Question 5: How is the Office for National Statistics' work on the measurement of national well-being and on the development of natural capital accounts contributing to the development of the Government's macro-economic policy?**

4.1. The ONS' work on the National Wellbeing Dashboard should play a much larger role in the development of macroeconomic policy than it currently does. Such a dashboard should be the main focus of policymakers and the main measures on which they should be held to account. To ensure its wellbeing dashboard is fit for purpose, the ONS should, in collaboration with government and based on public consultation, develop a wellbeing framework that serves as the basis for a review of the dashboard. The ONS should subsequently aim to publish the dashboard on a quarterly basis. The government should embed the dashboard into economic policymaking, for example by incorporating it into the Green Book as well as the Budget process.<sup>22</sup>

4.2. The ONS' natural capital accounts do not and should not play a significant role in the government's macroeconomic policy process. As explained above in paragraphs 3.1 to 3.5,

<sup>20</sup>[https://commoncausefoundation.org/\\_resources/no-cause-is-an-island-how-people-are-influenced-by-values-regardless-of-the-cause/](https://commoncausefoundation.org/_resources/no-cause-is-an-island-how-people-are-influenced-by-values-regardless-of-the-cause/)

<sup>21</sup><https://www.tandfonline.com/doi/full/10.1080/14747731.2020.1807856>

<sup>22</sup><http://positivemoney.org/wp-content/uploads/2020/05/Positive-Money-Tragedy-of-Growth-Digital-Single-Pages.pdf>

attempting to value the totality of the country's ecosystems in monetary terms is a deeply misguided endeavour. The ONS estimated that in 2019 the UK's stock of 'natural capital' - the entirety of the country's food, energy, water, soil, forests, peatlands, animals, etc - was worth £1.2 trillion. While this is a significant number, it is entirely illusory, which the ONS authors themselves essentially recognise by stating "the natural world supports all life on earth, and its collapse would precipitate our own, *implying infinite value*" (emphasis added). The ONS refers to its natural capital accounts as 'experimental'; we submit that they should remain as such, and should play no role in guiding macroeconomic policymaking.

**Question 7: How might the public, businesses, financial institutions and the financial system react to any move away from GDP as the primary indicator of prosperity? What challenges could this present for policymakers, and how might these be overcome?**

5.1. The reaction to a shift away from GDP as the primary indicator of prosperity would depend on what replaces GDP and, most importantly, what policy choices are made once the new indicator or dashboard is incorporated into policymaking. Achieving environmental goals would require not only an end to the use of GDP as a target, but would likely involve policies that could hamper GDP growth. The financial, economic, and social repercussions of this would depend on the government's wider policy agenda.

5.2. It is clear that lower or even negative growth needn't mean lower standards of living for the average person. As ecological economist Julia Steinberger explains, "the evidence suggests that decent living standards require neither perpetual economic growth nor high levels of affluence" and "economic growth in affluent or even moderately affluent countries is detrimental for living standards".<sup>23</sup> However, modern economies tend to be growth-dependent, meaning that a lack of growth can lead to financial, economic, and social crises. In order to reduce growth dependence and avoid such crises, a wide range of policies are necessary. For example, Steinberger and her colleagues find that strong public services in areas such as health, education and public transport, as well as a fairer income distribution, are crucial for achieving decent living standards at low levels of energy use.

5.3. Ecological economists Beth Stratford and Dan O'Neill propose four broad policy goals essential to reducing growth dependency: safeguarding basic needs; empowering workers; reducing exposure to debt crises for households and businesses; and tackling rent extraction.<sup>24</sup> Positive Money has focused on monetary and financial policies that would contribute to reducing growth dependence, including modern debt jubilees, the implementation of a public digital currency, and the creation of an ecosystem of public banks. Further details on these proposals, as well as our recommendations regarding the replacement of GDP as an indicator of success, can be found in our 2020 report *The Tragedy of Growth*: <https://positivemoney.org/publications/tragedy-of-growth/>

January 2022

<sup>23</sup><https://environment.leeds.ac.uk/sustainability-research-institute/news/article/5425/securing-decent-living-standards-for-all-while-cutting-energy-use>

<sup>24</sup><https://goodlife.leeds.ac.uk/wp-content/uploads/sites/20/2020/11/doughnut-shaped-recovery-report.pdf>